

**Functional Series 500 – Management Services**  
**ADS 596 - Management Accountability and Control**

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## **ADS 596 – Management Accountability and Control**

### **596.1 OVERVIEW**

Effective Date: 08/01/1997

The purpose of this ADS chapter is to provide policy directives and required procedures to improve the accountability and effectiveness of USAID's programs and operations by establishing, assessing, correcting, and reporting on [management controls](#).

### **596.2 PRIMARY RESPONSIBILITIES**

Effective Date: 08/19/2002

#### **a. The Administrator**

- Ensures the Agency's commitment to an appropriate system of management controls which facilitates the achievement of results and safeguards the integrity of Agency programs; and
- Submits an annual statement to the Office of Management and Budget (OMB) and Congress on the overall adequacy and effectiveness of USAID's management controls.

#### **b. The Deputy Administrator**

- Chairs the Agency's [Management Control Review Committee \(MCRC\)](#); and
- Resolves disagreements between Agency management and the Office of Inspector General (IG).

#### **c. The Agency Management Control Review Committee (MCRC)**

- Serves as a policy-making body in management control and audit matters;
- Reviews and approves the Agency's strategy, policies, and procedures for governing management control activities;
- Provides oversight for the identification, correction, and reporting of management control and audit deficiencies; and
- Ensures that audit follow-up responsibilities are effectively managed by senior staff (See [ADS 595](#), Audit Management Program).

d. **The Bureau for Management, Office of Management Planning and Innovation (M/MPI)**

- Serves as the support staff for the Agency MCRC in all management control matters;
- Develops and maintains Agency policies and procedures on [management accountability](#) and control;
- **\*Provides guidance on conducting periodic risk assessments;**
- Provides guidance on assessing the adequacy of management controls;
- Provides instructions for annually reporting the status of management controls;
- Monitors the progress of actions to correct deficiencies in management controls to ensure timely and effective results;
- Prepares the Agency's Federal Managers' Financial Integrity Act (FMFIA) report as a part of the annual [Accountability Report](#); and
- **\*Provides guidance to Bureaus, Offices, and Missions to facilitate the completion of final action on audit recommendations (See [ADS 595](#)).**

e. **The Office of Inspector General (IG)**

- Conducts or supervises investigations and audits of Agency programs and operations (See [ADS 590](#), Audit);
- Provides advice to Agency staff to facilitate corrective action for deficiencies in management controls; and
- Recommends management controls to promote economy, efficiency, and effectiveness; and to prevent and detect fraud and abuse in Agency programs and operations.

f. **Assessable Units**

- **\*Appoint a [Management Control Official \(MCO\)](#) who oversees and coordinates management accountability and control issues within the organizational unit;**
- **\*Conduct periodic risk assessments of operations;**

- Continuously perform management control assessments in accordance with instructions issued by M/MPI, identifying deficiencies in programs and operations;
- Develop corrective action plans to address deficiencies and track progress to ensure timely and effective results; and
- Report annually on the status of [material weaknesses](#) identified during management control reviews and daily operations.

**g. Agency Managers**

- Ensure that management controls are incorporated into strategies, plans, guidance, and procedures that govern programs and operations;
- Ensure the quality and timeliness of program performance and that programs are managed with integrity and in compliance with applicable law; and
- Ensure that [assessable units](#) are properly established and identified. All Missions, Bureaus, and Independent Offices are designated assessable units. USAID/W Regional and Central Bureaus have the flexibility to (1) designate lower-level organizational units as assessable units or (2) use an alternative means of ensuring a comprehensive report on the status of controls in the Bureau. (See section [596.3.6](#), Assessable Unit Reporting)

**h. Regional Bureaus/Independent Offices**

- Review and coordinate subordinate units' annual certifications on management controls; and
- Consolidate the annual Bureau/Office report with reports from subordinate units.

**i. Author Offices for the Automated Directives System (ADS)**

- Develop, update, clear, and continuously maintain specific Agency policy directives and required procedures; and
- \*Determine the need for additional or revised policy directives and required procedures based on identified management control deficiencies or legislative, regulation, **or policy** changes that determine current Agency policy directives and required procedures (see [ADS 501](#), the Automated Directives System (ADS)).

j. **Strategic Objective Teams**

- Ensure that [management control standards](#) are maintained in the implementation of activities to achieve strategic objectives;
- Establish internal management controls for team operations consistent with delegated authorities; and
- Continuously evaluate the effectiveness of management controls for the implementation of strategic objectives.

**596.3 POLICY DIRECTIVES AND REQUIRED PROCEDURES**

**596.3.1 Establishing Management Controls**

Effective Date: 08/19/2002

USAID managers and staff must develop and implement appropriate, cost-effective management controls for results-oriented management, which reasonably ensure that the following are met:

- a. Obligations and costs comply with applicable law;
- b. Assets are safeguarded against waste, loss, unauthorized use, or misappropriation; and
- c. Revenues and expenditures are properly recorded and accounted for.

USAID's management controls must be consistent with the following standards:

- \*a. Management and employees must establish and maintain an environment throughout the organization that sets a positive and supportive attitude toward internal control and conscientious management.**
- \*b. Management control must provide for an assessment of the risks the Agency faces from both external and internal sources. A precondition to risk assessment is the establishment of clear, consistent Agency objectives. Risk assessment is the identification and analysis of relevant risks associated with achieving Agency objectives, and the formation of a basis for determining how risks should be managed. Once risks have been identified, they must be analyzed. Analysis includes estimating the risk's significance, assessing the likelihood of its occurrence, and deciding how to manage the risk and what actions should be taken. (See Additional Help Reference "[Risk Assessment Guide](#)" for optional guidance.)**
- \*c. Management control activities help ensure that management directives are carried out. The control activities must be effective and**

**efficient in accomplishing the Agency's control objectives. Control activities include**

- **Top-level reviews of actual performance;**
- **Reviews by management at the functional or activity level;**
- **Management of human capital;**
- **Controls over information processing;**
- **Physical control over vulnerable assets;**
- **Establishment and review of performance measures and indicators;**
- **Segregation of duties;**
- **Proper execution of transactions and events;**
- **Accurate and timely recording of transactions;**
- **Access restrictions to and accountability for resources and records; and**
- **Appropriate documentation of transactions and internal control.**

**\*d. Information must be recorded and communicated to management and others within the organizational unit who need it and in a form and within a time frame that enables them to carry out their internal control and other responsibilities.**

**\*e. Management control monitoring must assess the quality of performance over time and ensure that the findings of audits and other reviews are promptly resolved.**

### **596.3.2 Assessing the Adequacy of Management Controls**

Effective Date: 08/01/1997

USAID managers and staff must continuously assess and improve the effectiveness of management controls associated with the Agency's programs and operations by using a variety of information sources. Sources include, but are not limited to

- a. Management knowledge gained from the daily operation of Agency programs and systems;
- b. Management reviews conducted for the purpose of assessing management controls or for other purposes with an assessment of management controls as a by-product of the review;
- c. Office of Inspector General (IG) and General Accounting Office (GAO) reports, including audits, inspections, reviews, investigations, outcome of hotline complaints, or other products;
- d. Program evaluations;

- e. Audits of financial statements conducted pursuant to the Government Management Reform Act;
- f. Reviews of systems and applications conducted pursuant to the Computer Security Act of 1987 and OMB Circular A-130, Management of Federal Information Resources;
- g. Reports on the progress in improving the efficiency and effectiveness of operations through the use of information technology pursuant to the Information Technology Reform Act of 1996;
- h. Reviews of financial systems that consider whether the requirements of OMB Circular A-127 have been met;
- i. Annual performance plans and reports pursuant to the Government Performance and Results Act;
- j. Reports and other information provided by congressional committees; and
- k. Other reviews relating to Agency operations.

### **596.3.3 Management Control Review Committee (MCRC)**

Effective Date: 08/01/1997

The Agency must establish a Management Control Review Committee (MCRC) to provide oversight for the Agency's audit and management control processes.

#### **596.3.3.1 Agency Management Control Review Committee**

Effective Date: 08/01/1997

The [Agency's MCRC](#) convenes at least semi-annually to assess and monitor deficiencies in management controls.

The Committee is chaired by the Deputy Administrator. The permanent membership is comprised of all of the Assistant Administrators, Independent Office Directors, and Management Bureau Office Directors. (See [Management Control Review Committee \(MCRC\) Charter](#) for more information.)

**\*596.3.3.2 Mission Management Control Review Committee**

Effective Date: 08/19/2002

\*Each USAID Mission must establish an MCRC to provide oversight for the Mission's audit and management control processes.

\*The Mission Director must determine the composition of the Mission MCRC and ensure that periodic meetings are conducted.

**596.3.4 Corrective Action Plans**

Effective Date: 08/01/1997

Assessable units must develop corrective action plans for identified management control deficiencies. Progress against the plans must be periodically assessed and reported to the next management level.

Management officials must take timely and effective action to improve or correct management control deficiencies in accordance with the corrective action plans developed by the responsible assessable unit.

Cognizant managers must track progress to ensure timely and effective results. The cognizant manager makes the determination that a deficiency has been corrected when sufficient corrective actions have been taken and the desired results achieved.

The Office of Management Planning and Innovation (M/MPI) must monitor the implementation of corrective actions and keep the Agency MCRC informed of progress.

**596.3.5 Annual Reporting on Management Controls**

Effective Date: 08/01/1997

The Administrator must annually submit the following items to OMB and Congress:

- a. A statement on whether there is reasonable assurance that the Agency's controls are achieving their intended objectives; and
- b. A report on material weaknesses in the Agency's controls.

The report must encompass program, operational, and administrative areas, as well as accounting and financial management.

**596.3.6 Assessable Unit Reporting**

Effective Date: 08/19/2002

In accordance with instructions provided by M/MPI, each assessable unit must provide an annual certification to the next management level (e.g., Missions report to the cognizant Assistant Administrator, Office heads report to the Bureau chief) on the

overall adequacy and effectiveness of management controls. Each assessable unit must consider information from the sources described in [596.3.2](#) in assessing the overall status of controls. The certification must include the following:

- a. A statement on whether there is reasonable assurance that management controls are achieving their intended objectives;
- b. A description of deficiencies determined to be material weaknesses, including those that are not correctable within the assessable unit's authority and resources;
- \* c. Corrective action plans and target dates **for material weaknesses.**

A weakness must be designated as material if the assessable unit determines that it is of such significance that it should be reported to the next level. Generally such a weakness would result in one of the following:

- a. Significant impairment in the organization's ability to achieve its objectives;
- b. Use of resources in a way that is inconsistent with Agency mission;
- c. Violation of statutory or regulatory requirements;
- d. Significant lack of safeguards against waste, loss, unauthorized use, or misappropriation of funds, property, or other assets;
- e. Impairment in the ability to obtain, maintain, report, and use reliable and timely information for decision making; or
- f. Permission of improper ethical conduct or a conflict of interest.

#### **596.3.6.1 Bureau/Independent Office Certification**

Effective Date: 08/01/1997

Assistant Administrators must review certifications submitted by Missions or Offices within their respective Bureaus and determine whether identified weaknesses are of such significance that they should be classified as material weaknesses and consequently included in the Bureau's certification to the Administrator.

Each Assistant Administrator and Independent Office Director must submit a consolidated certification to the Administrator that includes the information described in [596.3.6](#). A copy of the Bureau or Independent Office certification must be provided to M/MPI.

#### **596.3.6.2 Management Control Review Committee (MCRC) Review of Deficiencies**

Effective Date: 08/01/1997

The Agency MCRC must review the deficiencies reported by Assistant Administrators and Independent Office Directors and recommend to the Administrator which deficiencies are deemed to be material to the Agency as a whole and must, therefore, be included in the FMFIA portion of the annual Accountability Report to OMB and Congress as material weaknesses. The MCRC also considers deficiencies that the IG identifies as potential material weaknesses.

The MCRC must also review corrective action plans to ensure that they are adequate to address the deficiencies.

**596.3.6.3 The Administrator's Report on Management Accountability and Control**

Effective Date: 08/01/1997

M/MPI prepares the Administrator's report on management accountability and control to OMB and Congress based on the MCRC's decisions. The report must include the following:

- a. A statement on whether there is reasonable assurance that the Agency's controls are achieving their intended objectives;
- b. A report on Agency material weaknesses and corrective action plans; and
- c. A statement on whether the Agency's financial management systems conform to government-wide requirements and plans for bringing nonconforming systems into compliance.

The Administrator's statement of assurance must take one of the following forms:

- a. A statement of reasonable assurance that the management controls are overall adequate and effective;
- b. A qualified statement of assurance considering the exceptions explicitly noted; or
- c. A statement of no assurance.

\*An asterisk indicates that the adjacent information is new or substantively revised.

### **596.3.7 Evaluation of Staff Performance on Management Control Responsibilities**

Effective Date: 08/01/1997

Annual Evaluation Forms (AEFs) must reflect management control responsibilities as set forth in this chapter, and employees must be evaluated on their effectiveness in carrying out the responsibilities.

USAID managers must ensure that work objectives and performance appraisals reflect the effectiveness of USAID staff in establishing, assessing, correcting, and reporting on management controls.

## **596.4 MANDATORY REFERENCES**

### **596.4.1 External Mandatory References**

- a. [Federal Managers' Financial Integrity Act \(FMFIA\) of 1982 \(Pub. L. 97-255\)](#)
- b. [OMB Circular A-123, Management Accountability and Control, revised June 21, 1995](#)

### **596.4.2 Internal Mandatory References**

- a. [ADS 501, The Automated Directives System \(ADS\)](#)
- b. [ADS 590, Audit](#)
- c. [ADS 595, Audit Management Program](#)
- \*d. [Management Control Review Committee \(MCRC\) Charter](#)

## **596.5 ADDITIONAL HELP**

- a. [Inspector General Act Amendments of 1978, Public Law 100-504, October 18, 1988](#)
- b. [Government Performance and Results Act \(GPRA\) of 1993, Public Law 102-62](#)
- c. [Chief Financial Officer's \(CFO\) Act of 1990, Public Law 101-576, November 15, 1990](#)
- \*d. [Risk Assessment Guide](#)

\*An asterisk indicates that the adjacent information is new or substantively revised.

**596.6****DEFINITIONS**

Effective Date: 08/19/2002

The terms and definitions listed below have been included into the ADS Glossary. See the [ADS Glossary](#) for all ADS terms and definitions.

**Accountability Report**

Annual report to OMB and Congress that integrates the following information:

- Federal Managers' Financial Integrity Act Report;
- Chief Financial Officers Act Annual Report (including audited financial statements);
- Management's Report on Final Action as required by the Inspector General Act; and
- Available information on Agency performance compared with its stated goals and objectives, in advance of the statutory Government Performance and Results Act requirement. (Chapter 596)

**Agency Management Control Review Committee**

A group of senior USAID officials who provide oversight for the Agency's management control program, including the identification, correction, and reporting on management control deficiencies. The Agency MCRC also provides oversight and assistance regarding audit management issues. (Chapters 591, 592, 596)

**assessable unit**

An organization unit within USAID, i.e., Mission, Bureau, or Office, which is required to submit a statement of reasonable assurance on the status of management controls to the next management level. All Missions, Bureaus, and Independent Offices are assessable units, as well as any lower-level organizational units designated by the cognizant Bureau. (Chapter 596)

**management accountability**

The expectation that managers are responsible for the quality and timeliness of program performance, increasing productivity, controlling costs, and mitigating adverse aspects of Agency operations, and assuring that problems are managed with integrity and in compliance with applicable law. (Chapter 596)

**\*Management Control Official (MCO)**

**(this replaces the former term "Management Accountability Official")**

The employee within each assessable unit who is responsible for coordinating all of the management control activities within that unit, i.e., guidance, assessments, and reporting. (Chapter 596)

**Management Control Review Committee (MCRC)**

A group of senior officials at the Mission, Bureau, or Office level who provide oversight and assistance for the management control program and audit management issues. (Chapters 591, 592, 595, 596)

\*An asterisk indicates that the adjacent information is new or substantively revised.

**management controls**

The organization, policies, and procedures used to reasonably ensure that (a) programs achieve their intended results; (b) resources are used in accordance with the Agency's mission; (c) programs and resources are protected from waste, fraud, and mismanagement; (d) laws and regulations are followed; and (e) reliable and timely information is obtained, maintained, reported, and used for decision making. (Chapter 596)

**management control standards**

Standards for internal control in the Federal government issued by the General Accounting Office. (Chapter 596)

**material weakness**

A deficiency that is determined to be of such significance that it should be reported to the next management level. Generally such a weakness would a) significantly impair the organization's ability to achieve its objectives; b) result in the use of resources in a way that is inconsistent with Agency mission; c) violate statutory or regulatory requirements; d) result in a significant lack of safeguards against waste, loss, unauthorized use, or misappropriation of funds, property, or other assets; e) impair the ability to obtain, maintain, report, and use reliable and timely information for decision making; or f) permit improper ethical conduct or a conflict of interest. (Chapter 596)

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